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PAGE 01 STATE 118132
ORIGIN EA-06

INFO OCT-01 ISO-00 ONY-00 /007 R

DRAFTED BY EA/EP:STAFF:SRP
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O 092140Z MAY 78
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C O N F I D E N T I A L STATE 118132

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E.O. 11652:GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
MAY 9, 1978

WELLINGTON FOR ASSISTANT SECRETARY HOLBROOKE ONLY

1. US-ASEAN DIALOGUE (LIMITED OFFICIAL USE)

OUR RESPONSE TO THE ASEAN STANDING COMMITTEE'S CONSIDERA-
TION OF OUR PROPOSAL FOR THE TIME OF AND LEVEL OF THIS
YEAR'S US-ASEAN TALKS HAS BEEN DELIVERED TO THE
PHILIPPINE COORDINATOR. SHE HAS PROMISED THE SOONEST
POSSIBLE RESPONSE WHICH WE HOPE WILL PROMPT ASEAN TO
REACH A DECISION SOON. WE RECEIVED A POSITIVE RESPONSE
IN SOME INITIAL CONTACTS WITH CONGRESSIONAL COMMITTEES
CONCERNING ASSISTANCE IN ARRANGING MEETINGS WITH THE
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ASEAN MINISTERS. THE AUGUST 3-4 TIMING IS OKAY AS LONG
AS THE PRESENT CONGRESSIONAL SCHEDULES HOLD. HOWEVER,
THERE MAY BE SOME PRESSURE IN AN ELECTION YEAR TO MOVE
UP VACATION SCHEDULES TO THE FIRST PAR OF AUGUST. WE
ARE COVERINGTHIS IN A CABLE UNDER PREPARATION.-

2. HUMPHREY BILL AND AID REORGANIZATION

(LIMITED OFFICIAL USE)

THE PRESIDENT'S DECISIONS ON THE ADMINISTRATION'S POSITION ON THE ISSUES RAISED IN THE HUMPHREY BILL HAVE BEEN CIRCULATED IN A BRZEZINSKI MEMO. THE ADMINISTRATION SUPPORTS THE BASIC NOTION OF CREATING AN INTERNATIONAL DEVELOPMENT COOPERATION ADMINISTRATION (IDCA), WITH THE ADMINISTRATOR BEING THE CHIEF ADVISER TO THE PRESIDENT AND THE SECRETARY OF STATE. RESPONSIBILITY FOR IFIS WILL "NOT NOW BE TRANSFERRED TO IDCA" FOR THE PRESENT TIME. TWO AREAS WHICH WILL BE IMPLEMENTED IMMEDIATELY CONCERN ESTABLISHING A NEW COORDINATION MECHANISM, THE OUTLINE OF WHICH IS STILL BEING DEVELOPED, AND A MORE SPECIFIC DELINIATION OF THE RESPECTIVE RESPONSIBILITIES OF THE SECRETARY OF STATE AND THE ADMINISTRATOR OF AID (IDCA). WHILE PROVIDING GENERAL FOREIGN POLICY GUIDANCE, FOR EXAMPLE, THE SECRETARY OF STATE IS NOT TO INSTRUCT THE ADMINISTRATOR ON SPECIFIC DEVELOPMENT OR PL-480 COUNTRY LEVELS TO MEET SHORT TERM FOREIGN POLICY NEEDS. THE EXECUTIVE BRANCH WILL SUPPORT ESTABLISHMENT OF A SEMI-AUTONOMOUS FOUNDATION FOR TECHNOLOGICAL COLLABORATION TO SUPPORT PUBLIC AND PRIVATE RESEARCH IN THE US AND THE LDCS; ESTABLISHMENT OF AN INTERNATIONAL DEVELOPMENT SERVICE WITHIN IDCA TO SUPPORT PVOS; AND THE TRANSFER OF OPIC TO IDCA. SOME OF THE SUBSTANTIVE POLICY ELEMENTS OF THE HUMPHREY BILL, BUT NOT THE REORGANIZATION

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ITSELF, ARE BEING TAKEN UP BY CONGRESS IN THE CONTEXT OF FY 1979 FOREIGN ASSISTANCE LEGISLATION. THERE WILL BE NO ATTEMPT TO PASS THE HUMPHREY BILL AS SUCH THIS SESSION.

3. NORTH-SOUTH DIALOGUE OVERVIEW MECHANISM

(LIMITED OFFICIAL USE)

THE FIRST SUBSTANTIVE SESSION OF THE UN GENERAL ASSEMBLY'S COMMITTEE OF THE WHOLE, WHICH IS TO SERVE AS AN OVERVIEW MECHANISM FOR THE NORTH-SOUTH DIALOGUE, HAS PROCEEDED IN AN HARMONIOUS AND GENERALLY NON-CONFRONTATIONAL MANNER SO FAR. THE SESSION IS SCHEDULED FOR MAY 3-12. MUCH OF THE FIRST SEVERAL DAYS HAS BEEN DEVOTED TO ORGANIZATIONAL AND PROCEDURAL MATTERS AND FORMAL STATEMENTS. BOB HORMATS REPORTS THAT USEFUL SUBSTANTIVE DISCUSSIONS ARE BEING CONDUCTED IN CORRIDOR TALKS. HIGHER RANKING OFFICIALS, INCLUDING UNDER SECRETARY COOPER, BEGIN PARTICIPATING TOMORROW. THE FOUR SUBSTANTIVE AGENDA ITEMS COVER A REVIEW OF THE GLOBAL ECONOMY, TRANSFER OF RESOURCES, THE OVERVIEW OF THE NORTH-SOUTH DIALOGUE AND MEANS TO PROVIDE IMPETUS TO RESOLUTION OF OUTSTANDING ISSUES.

4. MTN: LDC ISSUES (LIMITED OFFICIAL USE)

INTERAGENCY AGREEMENT HAS BEEN REACHED ON MAJOR ELEMENTS OF COMPREHENSIVE APPROACH TO LDCS IN MTN. POINTS OF AGREEMENT INCLUDE THAT US SHOULD PRESS KEY LDCS, INCLUDING PHILIPPINES BUT NOT ROC, TO JOIN GATT. THE US SHOULD PRESS LDCS TO BIND PRODUCT CONCESSIONS AND SEEK THEIR ADHERENCE TO ALL MTN CODES. DIFFERENTIAL TREATMENT OFFERED LDCS IN THE VARIOUS MTN CODES SHOULD BE AVAILABLE ONLY TO SIGNATORIES AND SUBSTANTIVE MFN BENEFITS WITHHELD FROM CODE NON-SIGNATORIES (THERE REMAINS A NEED TO REVIEW MFN BENEFITS OF CODES TO DETERMINE WHERE, AND IF, THEY CAN BE WITHHELD FROM NON-SIGNATORIES). DIFFERENTIAL TREATMENT WILL BE CONTRACTUAL; ONLY DIFFERENTIAL BENEFITS NOW IN THE PACKAGE ARE NEW-TO-MARKET AND SMALL SUPPLIER PROVISIONS IN THE SAFEGUARDS CODE AND TECHNICAL ASSISTANCE. CONFIDENTIAL

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THE US SHOULD NOT NEGOTIATE ADDITIONAL TROPICAL PRODUCTS AGREEMENTS, BUT FOLD OUR TROPICAL PRODUCTS OFFER INTO THE GENERAL MTN OFFER.

5. VICE PRESIDENT MONDALE'S MEETING AT ADB (CONFIDENTIAL)

IN MAY 3 MEETING AT ADB, PRESIDENT YOSHIDA TOLD VICE PRESIDENT MONDALE THAT ADB NO LONGER HAD A VALID REASON TO CONTINUE SUSPENSION OF SRV LOANS. SRV HAD AGREED TO ASSUME ALL PRIOR OBLIGATIONS OF BANK LOANS AND SRV WAS ENTITLED TO TREATMENT EQUAL TO ANY OTHER MEMBER BUT IT WOULD NOT RECEIVE ANY SPECIAL FAVORS. THE VICE PRESIDENT NOTED SENSITIVITY IN THE US TO ISSUE OF BANK LENDING TO SRV. IT APPEARS BANK MAY PROPOSE REACTIVATION OF A LOAN SHORTLY; WE HOPE THAT BANK CAN AT LEAST DELAY BOARD ACTION UNTIL AFTER JUNE BY WHICH TIME WE EXPECT CONGRESS TO HAVE COMPLETED CONSIDERATION OF CURRENT IFI APPROPRIATION REQUESTS. YOSHIDA SAID THAT US TAX LEGISLATION WAS PREVENTING THE ADB FROM ATTRACTING US STAFF. THE VP SAID HIS STAFF WOULD LOOK INTO THIS MATTER. FOLLOWING SUCCESSFUL ADB ANNUAL MEETING AND VP'S VISIT, TREASURY OFFICIALS REMARK THAT US RELATIONS WITH ADB ARE DEFINITELY ON THE MEND.

6. POSSIBLE YUGOSLAV ADMISSION TO THE ADB (CONFIDENTIAL)

AT THE RECENT ANNUAL MEETING, A YUGOSLAV OFFICIAL INDICATED THAT THE GOY MIGHT APPLY FOR MEMBERSHIP TO THE ADB SHORTLY. AS A NON-REGIONAL MEMBER, YUGOSLAVIA WOULD BE EXPECTED TO CONTRIBUTE SUBSTANTIALLY TO THE ORDINARY CAPITAL RESOURCES AS WELL AS TO THE SPECIAL FUNDS. YUGOSLAVIA HAS EXPLORED MEMBERSHIP IN THE PAST, BUT THE BANK STAFF IS TAKING CURRENT GOY INTEREST SERIOUSLY. SHOULD YUGOSLAVIA JOIN, THIS WOULD BRING NUMBER OF NON-REGIONAL MEMBERS TO 15 AND TOTAL MEMBERSHIP TO 44. CONFIDENTIAL

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ONCE THE GOY HAS REACHED DECISION TO APPLY, IT WILL LIKELY INFORMALLY SOUND OUT JAPAN, THE FRG AND OURSELVES IN ORDER TO ASCERTAIN THE LIKELIHOOD OF FAVORABLE ACTION ON ITS APPLICATION.

7. ADB SEMINAR ON TECHNOLOGY/INDUSTRY
(LIMITED OFFICIAL USE)

THE ADB HAS EARMARKED 50,000 DOLLARS OF TECHNICAL ASSISTANCE FUNDS TO FINANCE A SIX-DAY SEMINAR ON APPROPRIATE TECHNOLOGY AND SMALL SCALE INDUSTRIAL DEVELOPMENT. THE GEORGIA INSTITUTE OF TECHNOLOGY, WHICH ALREADY HAS PROJECTS IN SEVERAL SEA COUNTRIES, WILL PROVIDE THE TECHNICAL SUPPORT FOR THE PROJECT. PARTICIPANTS FROM 11 DEVELOPING COUNTRY MEMBERS AND SEVERAL DEVELOPMENT FINANCE INSTITUTIONS ARE EXPECTED. THE SEMINAR WILL FOCUS ON SMALL-SCALE INDUSTRIES, THE NEED TO ADOPT APPROPRIATE TECHNOLOGY AND POLICIES TO PROMOTE THIS TYPE OF DEVELOPMENT.

8. MEAT IMPORT LEGISLATION (LIMITED OFFICIAL USE)

THE BENTSEN AMENDMENT, WHICH INCLUDES COUNTER-CYCLICAL PROVISIONS FOR US MEAT IMPORT QUOTAS, I.E., LOW QUOTAS WHEN US BEEF PRODUCTION IS HIGH AND VISA VERSA, HAS PASSED THE SENATE AS AN AMENDMENT TO AN UNRELATED HOUSE BILL. THE BILL CURRENTLY AWAITS A SENATE/HOUSE CONFERENCE. CONGRESSMAN VANIK'S SUBCOMMITTEE ON TRADE, HOWEVER, HAS CALLED HEARINGS FOR MAY 22 ON THE MANY PROPOSALS TO AMEND THE MEAT IMPORT QUOTAS AND THE HOUSE IS UNLIKELY TO AGREE TO A CONFERENCE UNTIL THOSE HEARINGS ARE COMPLETED, IF THEN. AUSTRALIA AND NEW ZEALAND, WHOSE WHOSE BEEF CYCLES ARE SIMILAR TO THOSE IN THE US, HAVE EXPRESSED SERIOUS CONCERN OVER THIS AMENDMENT. STATE IS SEEKING AN ADMINISTRATION POSITION OPPOSING THE AMENDMENT, BUT A DECISION HAS NOT YET BEEN TAKEN.

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9. IFI APPROPRIATIONS (LIMITED OFFICIAL USE)

THE CONGRESS IS PREPARING TO CUT BACK THE ADMINISTRATION'S FY 79 3.5 BILLION DOLLAR APPROPRIATIONS REQUEST FOR THE IFIS COMPARED TO 1.9 DOLLARS IN FY 78. TREASURY BELIEVES A CUT TO BE UNAVOIDABLE. THE HOUSE APPROPRIATIONS SUB-

COMMITTEE HAS JUST MARKED UP THE IFI REQUESTS, SETTING A TOTAL CEILING OF 2,629 MILLION OR A CUT OF ABOUT 870 MILLION DOLLARS. TREASURY HOPES TO OBTAIN SENATE AGREEMENT TO A HIGHER FIGURE AND THEN SEEK AN AGREEMENT IN CONFERENCE TO 2.8-2.9 BILLION DOLLARS FOR THE IFIS. THE COMMITTEE CUT THE ADB ORDINARY CAPITAL REQUEST OF 238.2 TO 150 MILLION DOLLARS. OF THIS AMOUNT, 15 MILLION DOLLARS WOULD BE PAID IN COMPARED TO A REQUEST OF 23.8 MILLION. THE COMMITTEE, HOWEVER, AGREED TO 70.5 MILLION DOLLARS FOR THE ADF, WHICH WOULD COVER OUR CURRENT COMMITMENT PLUS ALL OF THE UNFUNDED OBLIGATIONS.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 may 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE118132
Document Source: CORE
Document Unique ID: 00
Drafter: STAFF:SRP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780197-0015
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780577/aaaacntd.tel
Line Count: 237
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ea04b1a1-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2744726
Secure: OPEN
Status: NATIVE
Subject: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT, MAY 9, 1978 WELLINGTON FOR ASSISTANT SECRETARY HOLBROOKE ONLY
TAGS: EGEN, ECON, XC, XE, XP
To: EA POSTS WELLINGTON
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/ea04b1a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014